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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000323

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SUBJECT: IRAN-ARMENIA PIPELINE DEMARCHE--FM OSKANIAN FINDS
IT A TOUGH MESSAGE

REF: STATE 32666

Classified By: CDA A.F. GODFREY, REASONS 1.4 (B,D)

¶1. (C) SUMMARY: CDA delivered reftel points March 15 to a surprised and non-plussed FM Oskanian. Oskanian hoped Washington would understand Armenia's difficult neighborhood, and thus its imperative to obtain Iranian gas as an alternative to the unreliable supply line of Russian gas. Oskanian promised to see what he could do about mitigating the damage of Ahmadinejad's visit with a separate GOAM statement about UNSCR compliance, but was not optimistic about cancelling the event altogether or snubbing the Iranian president in person with provocative talking points. The CDA held firm, and then urged Oskanian at least to ensure that Kocharian not compound the damage by cheerleading for new and grander energy cooperation projects between Armenian and Iran. END SUMMARY

¶2. (C) CDA delivered reftel talking points to FM Oskanian March 15, reading verbatim to underscore the seriousness of the message. He noted that this issue was being closely followed in Washington at a very high level. Oskanian seemed surprised by the sharpness of the demarche, and complained that it was very late in the game for the United States to weigh in so strongly against a pipeline that we have known was under construction for quite some time. CDA countered that we had responded quite speedily to the news that Iranian President Ahmadinejad would come personally to participate in the pipeline's opening ceremony. Providing Ahmadinejad such an opportunity to trumpet his defiance of the international community was a significant exacerbation of the problem. CDA noted that we had repeatedly expressed our concerns about Iran's recent behavior and about the Iran-Armenia gas pipeline to senior GOAM officials, recently including the presidential chief of staff and DFM Kirakossian, so our position on the matter should be no surprise. Oskanian rejoined that the pipeline project has been underway for quite some time, and its completion should have been no surprise to the United States.

¶3. (C) Oskanian said he would not "rush to comment" but would get back to us with a suitably considered response after communicating our message to President Kocharian. He suggested it would be impossible at this late date--with the event scheduled for Monday, March 19, and this fact having been widely reported in the media of both countries--to disinvite the Iranian president. Referring to reftel's second to last talking point--that the damage would be mitigated if Armenia called for Iran to respect and comply with UNSCR 1696 and 1797--Oskanian said, "I hope you don't mean the president should say those things during the ceremony, with Ahmadinejad standing right next to him." Oskanian suggested the GOAM might be able to make these points in the public domain in the days immediately before or

after the pipeline ceremony, but that it would be unduly rude and provocative to do so while standing on the same podium with Ahmadinejad. CDA reaffirmed the strength of the U.S. view that Ahmadinejad not be allowed to use the opportunity to create the impression that the international community had failed in its efforts to isolate Iran for its misbehavior.

¶4. (C) Oskanian said that Washington must understand the context of Armenia's situation. With Turkish and Azerbaijani borders long-sealed to Armenia, and the ongoing volatility of the Russian-Georgian relationship, having an outlet for trade and energy through Iran is a strategic necessity for Armenia. Oskanian emphasized that the new pipeline had capacity only to supply gas for domestic Armenian consumption, not for onward transit. Iran would realize practically no significant financial reward from the project. He ruminated "What's Iran's interest in completing this project?," which he suggested has much greater benefit to Armenia than to Iran. Answering his own question, he said "probably Iran does have its own propaganda interests at heart, but Armenia is the beneficiary of that. How can we turn down a project that is so clearly in our national interest?" Oskanian also pointedly noticed that "We did not announce that we would not abide by any UN sanctions resolution, as Ilham Aliyev did in Azerbaijan." He said Armenia was committed to complying with UNSCRs, notwithstanding Armenia's need to live with its next-door neighbor. CDA replied that Washington understands Armenia's geopolitical and economic situation, but this does not change our grave concerns about Iran's WMD programs and our objection to the Ahmadinejad visit in the current context.

¶5. (C) The CDA expressed the firm hope that Presidents Kocharian and Ahmadinejad would not use the upcoming occasion to speculate aloud about grander bilateral energy projects, such as an Iranian export pipeline across Armenia to onward

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markets. We have noticed an uptick in public speculation about such future projects from officials on both sides of the border lately, and these types of projects were much more likely to violate the Iran Sanctions Act (ISA) than this new, limited project.

¶7. (C) COMMENT: Oskanian was clearly surprised by the vehemence of our message. The GOAM probably hoped that it had tacit U.S. acquiescence for the limited-scope pipeline that has now been built, and they did not anticipate such a sharply negative U.S. reaction to Ahmadinejad's personal participation in the opening. However, we see very little chance that Kocharian will disinvite Ahmadinejad at this stage, now that the event has been so widely publicized in the media. Kocharian is generally careful not to take public positions that he does not think he can back up, but once on record rarely retreats. We hope our intervention will, however, succeed in restraining Kocharian from waxing enthusiastic about future projects with Iran, as he might otherwise have been likely to do, and we may also get a good public statement in the near future about Iran's duty to comply with UNSCRs.

GODFREY